AgMatters

Market Cynic Gives Bleaker View of Year Ahead

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by Tim Kalinowski

Errol Anderson, president and CEO of ProMarket Wire, gave his take on the year to come in the crop markets at the Farming Smarter conference in Medicine Hat back in December. Unlike many analysts who have been predicting a turn around in the world economy in 2017, Anderson had a more cynical view of where we are going in the new year.
"I tend to call a spade a spade," he said in his opening remarks. "There is no sense denying what is going on in these financial markets. We are at the end of a 80 year capitalist cycle that has already been prolonged 10 years by central bank manipulation. It has to be refreshed."

Anderson predicted increased volatility and continued slow growth in the world markets, and said in a worst case scenario we could see the bursting of what he called "the central bank bubble," to catastrophic result.
"This is the central banking stimulus bubble: Money printing. The central bank stimulus bubble is now three times larger than the (1999) dot.com and (2008) U.S. housing bubble combined. Something has to give. The way we are going right now doesn't economically hold together."

Anderson said debt was beginning to weigh down both the global and consumer economic outlook in a very substantial way.

"The outlook is slow growth globally and nothing is going to change that," stated Anderson bluntly. "Donald Trump wants to bring his GDP up to four per cent in the U.S. Good luck Donald. The GDP in the U.S. will be in the fourth quarter, I think, about 1.6-1.8 per cent.

"What is the problem with these markets? Debt. It's government debt and it's consumer overspending. That is the key barometer hanging over these markets."

Volatility in marketplace would inevitably be felt in the agriculture sector as well, said Anderson, but there were at least a few bright spots to be seen on that front; but not many.

Anderson predicted corn will remain rangebound and flat at $3.40-$3.75/ bu. Anderson pointed to a potential end to U.S. ethanol subsidies as a factor to watch here.

"Three months ago the Chicago traders told us if Trump gets in watch out for corn," said Anderson. "He is not climate friendly. If he pulls they ethanol subsidies guess where corn's going to go? It's going to drop."

Low grade (Kansas City) wheat also had very little upside, according to Anderson. He cited competition from Argentina, Brazil, and especially Russia as a price driving factor.

"The Black Sea region is really dictating to me where global wheat prices are going. Because Russia's currency crumbled about a year ago, that gave them a huge, competitive advantage."

Peas, both green and yellow, were expected to be within the $8.00-$9.00/ bu. range, said Anderson; a far cry from the $14 /bu. farmers were getting one year ago.

"Last year India was buying like crazy, and this year they are still buying. but they are not buying as aggressively," explained Anderson.

Canola and soybeans would likely hold their own this year, he said, due to continued strong crushing demand. He predicted a small drop in early 2017, but a bounce back later in the year.

"It may drop, but it's not going to drop much," he said.

On a more rosy note amid his gloomy prognostications, Anderson said higher grade wheat (Minneapolis) might turn out to be the best good news story to start 2017.

"The Minneapolis market is moving up. I think this market is going to go higher. If you've got Number 1 or Number 2 that can be blended into those grains, higher prices in the new year," he said.